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INTRODUCTION

The Office of Internal Audit performed an audit of the Medbury/Concord District, Wayne County FIA for the period October 1, 2002 through September 30, 2003. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that Agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Medbury/Concord District had 96 full time equated positions (FTE's) at the time of our review. The Medbury/Concord District provided assistance to an average of 9,242 recipients per month during FY 2002, with total assistance payments of \$14,709,424 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Medbury/Concord District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Employment Support Services	CIS/ASSIST
State Emergency Relief	IRS Information Security
Safe & Controlled Documents	Procurement Card
Payroll and Timekeeping	State Car Usage
Client Processing	Supervisory Case Reading

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Medbury/Concord District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no exceptions in Employment Support Services, State

Emergency Relief, Procurement Card, Client Processing and Supervisory Case Reading. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls for the other systems included in our scope, which are detailed below.

DISTRICT RESPONSE

The management of the Medbury/Concord District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated January 5, 2004 that they are in general agreement with the report, and have taken corrective action for most items. During their corrective action process they searched their files and located many of the security forms that could not be located when the auditor was on site.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST Security

ASSIST Enrollment Profiles and Security Agreements

1. Medbury/Concord District did not have current and accurate ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) on file for all staff who accesses ASSIST. Our review disclosed that 15 staff did not have ASSIST Enrollment Profiles (FIA-3720) on file and 23 staff did not have Security Agreements (FIA-3721) on file. L-Letter L-97-063 requires an FIA-3720 and FIA-3721 to be prepared for all new users of ASSIST and for all current users each time an enrollment change is proposed.

WE RECOMMEND the Medbury/Concord District review the ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) to ensure that correct and accurate forms are on file for all staff.

NOTE: Corrective action taken while auditor was on-site.

CIMS Security Agreements

2. Medbury/Concord District did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for all staff who access the Client Information Management System (CIMS), as required by L- Letter 97-063. Our review disclosed that 21 staff did not have CIMS Security Agreements (FIA-3974A) on file. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with the CIMS access, and that their supervisor has approved their level of access.

WE RECOMMEND that Medbury/Concord District ensure that accurate, up-to-date security agreements are on file for all employees who access CIMS.

NOTE: Corrective action taken while auditor was on-site.

CIMS Security Codes

3. One General Clerk, one Word Processor, and one General Office Assistant had FLM status on the Client Information System (CIS). This status would allow those employees to process transactions that are not necessary for their positions.

WE RECOMMEND that Medbury/Concord District either change all of these individuals to inquiry only (INQ) status on CIS, or customize their FLM status to allow them access to only the transactions necessary for them to perform their job duties and have an independent employee review transactions processed by these individuals.

Security Officer's Log Report (PD-180)

4. The Medbury/Concord District did not reconcile all items on the Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A). The Security Officer signed each page to document that the reconciliation had been performed. However, we noted that three employees signed, updated and placed their Security Agreements (FIA-3974A) on file while the auditor was on site, therefore they did not have updated forms on file when the Security Officer performed the reconciliation. L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND that the Medbury/Concord District reconcile the PD-180 report to signed Security Agreements that document the accuracy of the change that was made.

MA-010 Reconciliation-Flagged Transactions

5. The Medbury/Concord District did not reconcile all flagged Transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of all flagged transactions helps to ensure that transactions were properly authorized and correctly entered on the Client Information Management System (CIMS).

WE RECOMMEND that the Medbury/Concord District reconcile all flagged transactions on the MA-010 Report to the input documents.

MA-010 Reconciliation-Openings and Warrant Rewrites

6. The Medbury/Concord District did not reconcile a sample of case openings listed on the MA-010 Report to the Request and Registration Control Record (FIA-3614), as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. They also did not reconcile warrant rewrites as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling a sample of these transactions provides assurance that cases were opened by their assigned workers, and warrant rewrites were accurate and appropriate.

WE RECOMMEND that Medbury/Concord District reconcile a sample of case openings and warrant re-writes on the MA-010 Report to the appropriate documentation.

IRS Information Security

Designated Staff Person

7. The Medbury/Concord District Designated Staff Person (DSP) did not have a password for accessing IRS confidential wage match information, as required by Program Administrative Manual (PAM) 803. The password is necessary to access information that may provide evidence that a customer may be receiving benefits that (s)he is not entitled to receive.

WE RECOMMEND that the Medbury/Concord District Designated Staff Person obtain a password, and comply with procedures outlined in Program Administrative Manual (PAM) 803.

Designated Staff Person Back-up

8. The Medbury/Concord District did not have a backup Designated Staff Person (DSP) with password for accessing IRS confidential wage match information, as required by Program Administrative Manual (PAM) 803. A backup DSP is necessary in case information is needed on a day when the Designated Staff Person is unavailable.

WE RECOMMEND that the Medbury/Concord District appoint a backup Designated Staff Person, obtain a password, and comply with procedures outlined in Program Administrative Manual (PAM) 803.

State Car Usage

Official Daily Travel Log Preparation

9. Medbury/Concord District Staff did not accurately prepare the Official Daily Travel Log (MTD-10) for the months of April, May and June 2003. These logs did not have the signature of the Authorized Agent, as required by Administrative Handbook Manual Item 811. Accurately completing the MTD-10 will provide documentation that miles traveled were for approved business purposes.

WE RECOMMEND that the Medbury/Concord District require the Driver's supervisor or another authorized individual to approve and sign The MTD-10.

Controlled Documents

Unrecorded Controlled Documents

10. Medbury/Concord District had controlled documents on hand that were not included in their inventory records, as required by Accounting Manual Item 403. Specifically, they had 2,808 Bridge Cards that they received from the Warren/Conner District when it closed, and 281 Payment Authorizations (FIA-849) and 35 Official Field

Receipts (FIA-3543) that were not recorded on the Controlled Document Log (FIA-4070) or included in the Monthly Controlled Document Inventory and Reconciliation (FIA-4351). Use of the Monthly Controlled Document Inventory and Reconciliation and the Controlled Document Log helps to ensure that theft or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that the Medbury/Concord District use the FIA-4351 and FIA-4070 for all controlled documents.

Payroll and Timekeeping

Payroll Record Retention

11. The Medbury/Concord District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Medbury/Concord District have the certifier or someone other than the timekeeper retain the HR-332A